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C O N F I D E N T I A L SECTION 01 OF 04 ATHENS 001445

SIPDIS

AMEMBASSY ANKARA PASS TO AMCONSUL ADANA
AMEMBASSY ASTANA PASS TO USOFFICE ALMATY
AMEMBASSY BERLIN PASS TO AMCONSUL DUSSELDORF
AMEMBASSY BERLIN PASS TO AMCONSUL LEIPZIG
AMEMBASSY BELGRADE PASS TO AMEMBASSY PODGORICA
AMEMBASSY HELSINKI PASS TO AMCONSUL ST PETERSBURG
AMEMBASSY ATHENS PASS TO AMCONSUL THESSALONIKI
AMEMBASSY MOSCOW PASS TO AMCONSUL VLADIVOSTOK
AMEMBASSY MOSCOW PASS TO AMCONSUL YEKATERINBURG

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SUBJECT: SCENESETTER FOR EUR DAS KAIDANOW'S VISIT TO GREECE

REF: ATHENS 657

CLASSIFIED BY: Daniel V. Speckhard, Ambassador; REASON: 1.4(B), (D)

11. (U) Dear Tina,

12. (SBU) It's my pleasure to welcome you to Greece. The last twelve months have been marked by a succession of crises for the government of Prime Minister Costas Karamanlis, who has managed to hold onto his one-seat majority in Parliament through the global financial crisis and the ensuing downturn in the economy, widespread rioting last December, a significant increase in domestic terrorist attacks, a wave of illegal migrants, a much-noticed increase in Turkish military overflights of Greek islands, and most recently the serious forest fires on the outskirts of Athens. Voters may soon be able to judge the government's performance - the main opposition PASOK party has indicated it will force parliamentary elections by March 2010 if they do not happen earlier - but the underlying economic, security, and political challenges will remain regardless of which party is in power.

13. (C) While the government's focus is on confronting these challenges, there is a strong interest in a more cooperative approach on shared international challenges. Your visit is an opportunity to reinforce the message of the new Administration's desire to listen to our partners and put our relationship with Greece on a new course. Foremost among our common global interests is stabilizing Afghanistan and Pakistan, of special interest to Greece as a frontline state for refugee flows from conflict zones in south-central Asia. Another is European security, where Greece has performed well in its first eight months at the helm of OSCE, thanks in large part to Foreign Minister Bakoyannis's careful coordination with the U.S. and other major Western countries concerned about Russian efforts to dilute the mandate of OSCE and other bodies. And of course, Greece is an important ally in our efforts to keep Turkish accession into the EU on track.

14. (C) Across the range of issues there are more areas of successful bilateral cooperation than many Greeks and Americans realize, and certainly more than Greek politicians would want to admit publicly. These areas of agreement should form the foundation of an improved relationship, and the expected entry of Greece into the Visa Waiver Program (VWP) later this year would provide a major public boost to our efforts in this direction. At

the same time, Greeks care deeply about the long-running regional issues and Greek officials will undoubtedly raise them with you, the most pressing being the Turkish overflights in Aegean.

15. (C) We are generally on track with the U.S.-Greece Engagement Strategy the Embassy proposed to Washington earlier this year (reftel). The overall goal of this strategy is to dramatically reshape the U.S.-Greece relationship in the face of the historic shift in European public attitudes in response to the new U.S. President and:

-- Solidify these new attitudes and translate them into positive engagement with the United States;

-- Move Greece from a quiet and reluctant to a strong, reliable, and pro-active partner;

-- Discourage comparisons with the level of U.S.-Turkish engagement;

-- Focus on strategic challenges we have in common (counterterrorism, Afghanistan, Turkey's European perspective, energy security, economic recovery); and

-- Move away from a relationship centered on Aegean disputes, Cyprus, Macedonia - while continuing strong, sustained support for resolution of these issues.

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Greece Takes Arms against a Sea of Troubles

16. (C) Greek political life is usually tumultuous, but the last year has been particularly unsettling for many Greeks. The global recession has hit the Greek economy, causing a rise in unemployment and economic uncertainty and compounding what had already been a widespread sense among young people that their prospects are worse than those of the previous generation. After years of strong growth, the Greek economy is slipping, with GDP expected to slow to between -1 to -2 percent in 2009. The slowdown has exposed weaknesses in the Greek economy; ballooning budget deficits and public debt constrain the GoG's ability to develop social or fiscal stimulus programs. Over the last year unemployment has risen to over 8 percent, with nearly one of every four young people unemployed. Things are likely to only worsen in coming months as the economy is heavily dependent on tourism and shipping, two sectors particularly hard hit by the downturn.

17. (C) On an even more visceral level, Greeks have had their sense of security shaken, especially by the widespread rioting that followed the accidental shooting death of a teenager by police in December. While many young people supported the protests, older Greeks were dismayed by the police's seeming inability to stop the destruction - or by the political leadership's unwillingness to risk an escalation by ordering police to respond more aggressively. Although Greece's "anarchist" community has employed vandalism and Molotov cocktails on a regular basis for years, for most of the last decade these attacks had been largely confined to certain areas of Athens and Thessaloniki, and ordinary Greeks had begun to forget the anxiety of the heyday of the 17 November terrorist group in previous decades. December brought these emotions back, and domestic terrorist groups - including Revolutionary Struggle, which launched an RPG at the Embassy in January 2007 - have tried to capitalize on the riots by significantly increasing their activities in the months that followed, attacking police, banks, and other symbols of global capitalism and the state. In June, Sect of Revolutionaries (a new group that emerged after the riots) carried out the execution-style killing of a member of the police counterterrorism unit, the first such deadly attack in years.

18. (C) At the same time, Greece has become the entry point of choice for illegal immigrants into the European Union. The number of illegals detained by Greek authorities has increased dramatically over the last two years, reaching 140,000 last year (in a country with a population of only about 11 million). The presence of these migrants - many of whom originated in conflict zones in the Middle East and entered Greece via Turkey - has become a major political issue. Shortly after the ruling New Democracy (ND) party's second-place showing in the June European Parliament elections, the government instituted a new, tougher policy intended to deter illegal immigration and to win back ND voters who stayed home in the Euro elections or voted for the extreme right LAOS party, which scored its largest percentage ever in the June elections. While LAOS and other small parties may have benefitted from protest votes in June, there is no doubt that ND is in trouble. In addition to its win in June, PASOK has been consistently running about five percentage points ahead in public opinion polls for the next Greek Parliamentary election. When that election will take place is not clear, but most observers expect PASOK to carry through on its threat to force elections by refusing to agree to the election of a new President when current President Papoulias's term expires in March. Some predict Karamanlis may decide to hold the elections even earlier for tactical reasons. PASOK will be favored to win, although other scenarios are being bruited about, including a national unity government bringing together the two major parties. Whatever government emerges is likely to favor many of the same foreign policies - and operate under many of the same constraints - as the current government. PASOK leader Papandreou is a moderate and pragmatist who made improved relations with Turkey a centerpiece of his tenure as Foreign Minister under a previous PASOK government. Faced with the

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pressures of domestic politics, however, even he has taken popular stands against the government for being too passive in dealing with Turkish overflights and other hot-button issues.

Toward a More Positive Bilateral Relationship

19. (C) The enormously positive views in Greece toward the new U.S. President have eroded the broad (but not so deep) anti-Americanism that has characterized Greece for the last several decades. We are seizing the opportunity to reshape our bilateral relationship in a new positive direction, and are working with the Greek government to broaden our dialogue beyond the perennial regional problem areas to broader common strategic interests. Your visit will be an excellent opportunity to reinforce this momentum - to encourage Greece to step up its support in Afghanistan and Pakistan, to continue to support Turkey's EU orientation as the government tries to work through the bilateral differences confounding that relationship, and to play a responsible role in support of European energy diversification. The Greek government - and Foreign Minister Bakoyannis in particular - is willing to do more on these issues, but the Greeks would also like support from us in ways that will give them political cover for expanding their efforts. They may repeat requests for our help in obtaining and effectively implementing migrant re-admission agreements with Afghanistan and Pakistan, major source countries for migrants.

110. (C) On Turkey, Prime Minister Karamanlis and Foreign Minister Bakoyannis are personally committed to supporting Turkey's EU accession, something they see as the right thing for Greece, for Turkey, and for the EU. They will continue to engage politically and support EU accession, but in today's superheated political environment they are finding it increasingly difficult to manage this line. They have stressed to us in particular how Turkey's overflights and its unwillingness to implement a 2001 bilateral protocol on the re-admission of third-country illegal migrants has made it harder for the Greeks to continue their visible support for

Turkey's EU accession. Embassies Athens and Ankara have been working together to feed ideas into the current policy process on reducing the tensions in the Aegean. We should encourage the Greeks to maintain the high road on Turkey and to focus on what Greece can do to help change the atmosphere and lower the dangers of a serious incident. At the same time, your interlocutors will want to be reassured that the U.S. is engaging with Turkey, as well, on Aegean issues.

¶11. (C) The Greeks have consistently told us they are willing to compromise on the Macedonia name issue as long as the formula is consistent with the bipartisan agreement in Greece about how far they can go. Greek red lines include an insistence on "ergo omnes" use internationally of a new name with a geographic modifier and no formal recognition of identity that would confer an unqualified "Macedonian" label to their neighbors. This controversy remains emotional and politically salient for many Greeks, more so than the Cyprus issue, on which Greek officials tell us they would be satisfied with any solution acceptable to the Greek Cypriots. Especially given the precarious political balance in Greece, the government is not in a position to offer any further significant concessions.

¶12. (C) Deputy Secretary Steinberg signed two agreements with Bakoyannis at the Corfu ministerial in June needed for the Visa Waiver Program (VWP). We expect the Greek Parliament to complete ratification of these agreements around the time of your visit, which will be the final step we have asked of the Greeks for VWP. Our own process is running somewhat behind the Greeks as DHS, DNI, and others work to complete the package for final interagency approval. The need for visas to travel to the U.S. has been a perennial irritant to successive Greek governments, and removing it would be noticed by many Greeks who otherwise may be cynical about

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U.S. policies, something that would create political space for more visible bilateral cooperation.

¶13. (C) Your visit comes at a time when many Greeks feel the country is at a turning point, although it is not yet clear exactly what direction Greece will turn. For us this is a challenge but also an opportunity - a chance to re-build a positive atmosphere around our bilateral relationship by focusing on shared challenges like counterterrorism, regional stability (both with Turkey and in the Balkans), energy security, and stabilization in Afghanistan and Pakistan. From all of us working at the Embassy at this important time, we are pleased to welcome you and look forward to your visit.
SPECKHARD